

Summary of FY 2006-2007 Annual Compensation Survey Findings

What and Why

- State's policy is to provide competitive total compensation to employees to ensure a qualified and competent workforce.
- The Division of Human Resources (DHR) conducted its FY 2006-07 annual compensation survey and reported the findings as mandated by statute.
- The core compensation components surveyed are salary, including performance awards, and group benefit employer contributions.

Survey Findings

- Overall base salary budget increase of 3.64% in the Colorado Front Range market.
- Front Range market employers projected an additional 1.25% of salary budgets for non-base building incentives or bonuses.
- Three national surveys all reported increased amounts of performance and merit increases over general salary increases.
- Overall average salary increases total a 4.89% increase in salary budgets for market-reported increases and the Trooper statute.

TOTAL COST OF CONTRIBUTIONS TO TOTAL COMPENSATION (see table below)

Total dollars to reach the prevailing total compensation level for salaries and benefits are:

- Prevailing market for the state personnel system, all funding sources: **\$137 million**
- Prevailing market for General Government: **\$93 million**
- General Government at 75% of prevailing health, life, dental (HLD) **\$70,187,331**

FY 2006-07 TOTAL COMPENSATION SURVEY FINDINGS AND ESTIMATED COST (Including associated PERA and Medicare costs)		
Type of Compensation	Compensation At 75% HLD	Prevailing Market Compensation
Occupational Salary Range Adjustments (2.8%)	\$31,971,353	\$31,971,353
Performance Base-Pay (0.84%)	\$ 9,541,594	\$ 9,541,594
Performance Non-Base Pay (1.25%)	\$14,211,170	\$14,211,170
HDL Contributions	\$14,463,214	\$37,317,871
Total Compensation Package New Dollars	\$70,187,331	\$93,041,988

SALARY

Pay Increases

- The Division found an overall average increase for occupational groups of 2.66% when applied to the state's mix of jobs and applying the Trooper statute.

Occupational Group	Average Market Midpoint Increase	Total State Employees
ENFORCEMENT AND PROTECTIVE SERVICES (EPS)	3.2%	5307
TROOPERS	5.1%	666
FINANCIAL SERVICES (FS)	1.1%	1797
HEALTH CARE SERVICES (HCS) [and Medical (MED)]	4.2%	3463
LABOR/TRADES/CRAFTS (LTC)	1.6%	5592
ADMINISTRATIVE SUPPORT AND RELATED (ASR)	2.4%	5014
PROFESSIONAL SERVICES (PS) [and Teachers (T)]	2.2%	8447

PHYSICAL SCIENCES AND ENGINEERING (PSE)	1.6%	1970
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Performance Pay

- Remaining budget increase is split between the .84% base-building performance pay increase and the 1.25% variable (non-base) pay increase.
- Results in a total of 2.09% for performance pay.
- Award percentages vary by performance level.

Trooper Salaries

Statute requires DPA to use consistent methodologies to determine and maintain prevailing compensation for state Troopers with two exceptions.

- First, the market is the top three highest-paid large law enforcement agencies within the state (Fort Collins, Greeley, and Colorado Springs).
- Salary structure movement is calculated under the same methodology as other groups but based on this market, which showed an average movement of 5.1%.
- Second, any actual salary adjustment is based on at least 99% of the average actual salary from this market, which is 6.0% (after adjusting for SB03-273).

Range Minimums

- State statutory requirement is to hire at the minimum of the pay grade unless there is a showing of recruiting difficulty or other unusual circumstances.
- DHR found limited data showing the state's hiring salaries (grade minimums) were lower than the market's actual hiring salaries and the discrepancies varied by occupational group (between 2.19% to 10.78%).
- A 2% adjustment to the state's pay range minimums would be at least 2% closer to market hiring rates. This represents a conservative start and the Division will continue to monitor and make modifications as needed.

Salary Disparity with General Market

- State's workforce has fallen behind general market salary movements.
- Need is great to increase performance awards for state to meet business objectives.

TOTAL NEW COST OF SALARIES

Survey findings indicate that the total cost for salary increases in the state personnel system for FY 2006-07 would be **\$82,446,980** and includes the associated PERA and Medicare costs.

- Salary structure of **\$44,207,720** (including occupational group adjustments, hiring rate minimums, and individual class adjustments).
- Performance pay of **\$38,239,260**.

BENEFITS

Medical

- State's medical benefits (deductibles, co-pays, etc.) also lag market.
- A 10% trend rate was used to calculate the projected premium increases for FY 2006-07.
- Beginning July 1, 2005, the state's contributions to medical benefits reached an average of 66% of the average market employer's contribution, an increase from 56% for the 2005 short plan year (January through June).
- This 66% is also higher than the 59.5% projected for July 1, 2005, primarily due to the fact that the projected trend used in last year's report was higher than the actual premium rate increases in the market.
- Market employers are still absorbing at least a portion of premium cost increases; consequently the state will lag the market further if no significant increases are funded.

- Strategic plan outlined an increase to 75% for prevailing for FY 2006-07.

Dental

- The state currently provides three plans: Basic Plan, Basic Plus Plan, and Direct Reimbursement Plan.
- In comparison with the market, overall, the state contributes approximately 54% of the prevailing market employer contribution.

Life Insurance and Accidental Death & Dismemberment (AD&D)

- DHR analyzed the amount of life insurance and AD&D provided by employers and the portion paid by the employer.
- The vast majority of employers reported providing life insurance (95%) and AD&D (86%) to their employees.
- Sixty-two percent of market employers determine the amount of life insurance as a multiplier of the employee's annual salary; weighted average is 1.4 times salary.
- Beginning January 2005, the state increased its life benefit to \$33,000. While this is more competitive, it still lags the market life insurance.

Retirement

- Common practice in the market is a total of 11.15% employer's contribution to retirement.
- The state's PERA contribution will average 10.9% for FY 2006-07 (10.65% for first six months and 11.15% for remaining six months).

TOTAL NEW COST OF BENEFITS

Survey findings indicate that the total cost to General Government for increasing the state's contribution to benefits is \$37.3 million if fully funded or \$14.5 million if funded at 75% of market contribution levels.

NEXT STEPS

- Revised figures are expected for the December 2005 update due to surveys for healthcare occupations and a new ECI figure being available.
- DHR will prepare the December 2005 update to report adjusted movements for the occupational groups.
- Due to OSPB's fiscal forecast of a \$207.8 million reduction, the DPA executive director cannot make a recommendation at this time to adjust salaries by the prevailing market findings or increase HLD contribution levels to 75% of prevailing.
- DPA executive director will address this issue with the JBC and General Assembly in January.